



# CITY OF STIGLER, OKLAHOMA

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ANNUAL FINANCIAL STATEMENTS AND INDEPENDENT  
AUDITOR'S REPORTS

AS OF AND FOR THE FISCAL YEAR ENDED  
JUNE 30, 2014

# **THE CITY OF STIGLER, OKLAHOMA**

## **ANNUAL FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORTS**

**AS OF AND FOR THE FISCAL YEAR ENDED June 30, 2014**

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**CITY OF STIGLER, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
As of and for the Year Ended June 30, 2014

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## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of the City Council  
City of Stigler, Oklahoma

### **Report on the Financial Statements**

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Stigler, Oklahoma, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Stigler, Oklahoma, as of June 30, 2014, and the respective changes in modified cash basis financial position, and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting as described in Note 1.

### ***Basis of Accounting***

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

### ***Other Matters – Supplementary and Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying supplemental combining fund schedules – modified cash basis, federal and state awards information, and debt service coverage information, and the other information including management's discussion and analysis and budgetary comparison information, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining financial statements – modified cash basis and federal and state awards information, as listed in the table of contents, were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining financial statements and the federal and state awards information are fairly stated, in all material respects, in relation to the basic financial statements as a whole on the modified cash basis of accounting described in Note 1.

Management's discussion and analysis and budgetary comparison information, as listed in the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

### **Report on Other Legal and Regulatory Requirements**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2014, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Arledge & Associates, P.C.*

November 11, 2014

**CITY OF STIGLER, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
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The management of the City of Stigler is pleased to provide this annual financial report to its citizens, taxpayers and other report users to demonstrate its accountability and communicate the City's financial condition and activities as of and for the year ended June 30, 2014. Management of the City is responsible for the fair presentation of this annual report, for maintaining appropriate internal controls over financial reporting, and for complying with applicable laws, regulations, and provisions of grants and contracts. The City reports its financial statements and schedules on a modified cash basis which is a comprehensive basis of accounting other than generally accepted accounting principles. All of the financial analyses in this report must be considered within the context of the limitations of the modified cash basis of accounting.

### **FINANCIAL HIGHLIGHTS**

- The City's total net position decreased by \$178,832 and the assets of the City exceed its liabilities at June 30, 2014, by \$1,854,082 (net position). Of this amount, \$805,856 (unrestricted net position) is available to meet the government's ongoing needs.
- At June 30, 2014, the City's governmental funds reported combined ending fund balances of \$1,377,976.
- At the end of fiscal year 2014, unassigned fund balance for the General Fund was \$0.

### **ABOUT THE CITY**

The City of Stigler is an incorporated municipality with a population of approximately 2,730 located in Haskell County in southeastern Oklahoma. The City is a Council-Manager form of government and operates under a charter that provides for three branches of government:

- Legislative – the City Council is a five-member governing body elected by the citizens at large
- Executive – the City Manager is the Chief Executive Officer and is appointed by the City Council
- Judicial – the Municipal Judge is a practicing attorney appointed by the City Council

The City provides typical municipal services such as public safety, street and alley maintenance, parks and recreation, library, community development, and through its Trusts, certain utility services including water, sewer, sanitation and industrial development.

#### ***The City's Financial Reporting Entity***

This annual report includes all activities for which the City is fiscally responsible. These activities, defined as the City's financial reporting entity, are operated within separate legal entities.

The City's financial reporting entity includes the following separate legal entities.

- **The City of Stigler (primary government)** – operates the public safety, cemetery, streets, health and welfare, culture and recreation, and administrative activities of the City.
- **The Stigler Municipal Improvement Authority (SMIA)** – public trust created pursuant to 60 O.S. § 176 to operate the water, wastewater, and sanitation services of the City. The City of Stigler is the

beneficiary of the trust and the City Council serves as the governing body of the trust (reported as a blended component unit).

- **The Stigler Industrial Development Authority** – operates the industrial development services of the City, governed by the trustees who are appointed by the City Council (reported as a discretely presented component unit).

In addition, as required by state law, all debt obligations incurred by the trusts must be approved by two-thirds vote of the City Council. This is considered sufficient imposition of will to demonstrate financial accountability and to include the trusts within the City’s financial reporting entity. The public trusts do not issue separate annual financial statements.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

The financial statements presented herein include all of the activities of the City of Stigler (the “City”), the Stigler Municipal Improvement Authority (the “SMIA”), and the Stigler Industrial Development Authority (the “SIDA”). Included in this report are government-wide statements for each of the three categories of activities – governmental, business-type, and a discretely-presented component unit.

The government-wide financial statements present the complete financial picture of the City using the modified cash basis of accounting. They present governmental and business-type activities separately and combined. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City’s operations in more detail than the government-wide statements by providing information about the City’s most significant funds.

### **Reporting the City as a Whole**

#### ***The Statement of Net Position and Statement of Activities***

One of the most important questions to ask about the City’s finances is, “Has the City’s overall financial condition improved, declined or remained steady as a result of the year’s activities?” The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. You will need to consider other non-financial factors, however, such as changes in the City’s sales tax base, the condition of the City’s roads, and quality of service to assess the overall health of the City. You will also need to keep in mind that these government-wide statements are prepared in accordance with the modified cash basis of accounting and include only those City assets and liabilities resulting from cash transactions with selected modifications.

In the Statement of Net Position and the Statement of Activities, we divide the City’s primary government into two kinds of activities: *Governmental activities* - Most of the City’s basic services are reported here, including the police, fire, administration, and streets. Sales taxes, franchise fees, fines, and state and federal grants finance most of these activities; and *Business-type activities* – Activities where the City charges a fee to customers to help cover all or most of the cost of certain services it provides are reported here. The City’s water, sewer, and sanitation utilities are reported as business-type activities.

## **Reporting the City's Most Significant Funds - Fund Financial Statements**

### ***Fund Financial Statements***

The fund financial statements provide detailed information about the City's most significant (major) funds -- not the City as a whole. Some funds are required to be established by State law and by debt covenants. However, the City Council may also establish certain other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money.

*Governmental funds* - All of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. Governmental funds report their activities on a modified cash basis of accounting. For example, these funds report the acquisition of capital assets and payments for debt principal as expenditures and not as changes to asset and debt balances. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine (through a review of changes to fund balance) whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

*Proprietary funds* - When the City, through the Municipal Improvement Authority, charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are also reported on the modified cash basis of accounting as defined in Note 1.B. The City's proprietary fund is the Stigler Municipal Improvement Authority that accounts for the operation of the water, sewer, and sanitation activities.

### **Notes to the Financial Statements**

The notes provide additional information that is essential to gain an understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 23-33 of this report.

### **Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents a Budgetary Comparison Schedule for the General Fund, combining and individual financial statements and schedules, and schedules for the expenditures of state and federal awards.

## **THE CITY AS A WHOLE**

For the year ended June 30, 2014, net position on a modified cash basis for the governmental and business-type activities decreased \$178,832.

Following is a summary of net position reported on a modified cash basis for the City of Stigler.

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**The City of Stigler's Net Position (000's)**

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2014	2013		2014	2013		2014	2013	
Current assets	\$ 1,379	\$ 1,539	-10%	\$ 480	\$ 499	-4%	\$ 1,859	\$ 2,038	-9%
<b>Total assets</b>	<u>1,379</u>	<u>1,539</u>	-10%	<u>480</u>	<u>499</u>	-4%	<u>1,859</u>	<u>2,038</u>	-9%
Current liabilities	1	1	-	4	4	-	5	5	-
<b>Total liabilities</b>	<u>1</u>	<u>1</u>	-	<u>4</u>	<u>4</u>	-	<u>5</u>	<u>5</u>	-
Net position									
Restricted	1,048	1,007	4%	-	-	-	1,048	1,007	4%
Unrestricted	330	531	-38%	476	495	-4%	806	1,026	-21%
<b>Total net position</b>	<u>\$ 1,378</u>	<u>\$ 1,538</u>	-10%	<u>\$ 476</u>	<u>\$ 495</u>	-4%	<u>\$ 1,854</u>	<u>\$ 2,033</u>	-9%

A portion of the City's net position, \$1,048,226, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$805,856, may be used to meet the government's ongoing needs.

**The City of Stigler's Revenues, Expenses and Changes in Net Position**  
**(Modified Cash Basis) (000's)**

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2014	2013		2014	2013		2014	2013	
<b>Revenues</b>									
Charges for service	\$ 161	\$ 167	-4%	\$ 1,210	\$ 1,024	18%	\$ 1,371	\$ 1,191	15%
Operating grants and contributions	47	41	15%	-	-	-	47	41	15%
Capital grants and contributions	6	229	-97%	185	-	100%	191	229	-17%
Taxes	1,957	1,935	1%	-	-	-	1,957	1,935	1%
Intergovernmental revenue	90	90	-	-	-	-	90	90	-
Investment income	3	3	-	-	-	-	3	3	-
Miscellaneous	105	102	3%	73	85	-14%	178	187	-5%
<b>Total revenues</b>	<u>2,369</u>	<u>2,567</u>	-8%	<u>1,468</u>	<u>1,109</u>	32%	<u>3,837</u>	<u>3,676</u>	4%
<b>Expenses</b>									
General government	773	903	-14%	-	-	-	773	903	-14%
Public safety	966	887	9%	-	-	-	966	887	9%
Streets	368	344	7%	-	-	-	368	344	7%
Culture, parks and recreation	60	47	28%	-	-	-	60	47	28%
Health and Welfare	48	46	4%	-	-	-	48	46	4%
Economic development	34	36	-6%	-	-	-	34	36	-6%
Principal on long-term debt	20	21	-5%	-	-	-	20	21	-5%
Interest on long-term debt	2	2	-	-	-	-	2	2	-
Water	-	-	-	1,030	549	88%	1,030	549	88%
Sewer	-	-	-	371	497	-25%	371	497	-25%
Sanitation	-	-	-	344	319	8%	344	319	8%
<b>Total expenses</b>	<u>2,271</u>	<u>2,286</u>	-1%	<u>1,745</u>	<u>1,365</u>	28%	<u>4,016</u>	<u>3,651</u>	10%
Excess (deficiency) before transfers	98	281	-65%	(277)	(256)	8%	(179)	25	-816%
Transfers	(258)	9	-2967%	258	(9)	2967%	-	-	-
<b>Change in net position</b>	<u>(160)</u>	<u>290</u>	<u>-155%</u>	<u>(19)</u>	<u>(265)</u>	<u>-93%</u>	<u>(179)</u>	<u>25</u>	<u>-816%</u>
<b>Beginning net position</b>	<u>1,538</u>	<u>1,248</u>	<u>23%</u>	<u>495</u>	<u>760</u>	<u>-35%</u>	<u>2,033</u>	<u>2,008</u>	<u>1%</u>
<b>Ending net position</b>	<u>\$ 1,378</u>	<u>\$ 1,538</u>	<u>-10%</u>	<u>\$ 476</u>	<u>\$ 495</u>	<u>-4%</u>	<u>\$ 1,854</u>	<u>\$ 2,033</u>	<u>-9%</u>

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**Governmental Activities**

The City's governmental activities had a decrease in net position of \$160,091. This decrease is due in large part to a transfer of water capital expenses of \$338,643 at the government-wide level and the reduction of capital grants from prior year in the amount of \$222,167.

	<b>Total Expense of Services</b>		<b>% Inc. (Dec.)</b>	<b>Net Revenue (Expense) of Services</b>		<b>% Inc. (Dec.)</b>
	<u>2014</u>	<u>2013</u>		<u>2014</u>	<u>2013</u>	
General government	\$ 773	\$ 903	-14%	(\$763)	(\$678)	13%
Public safety	966	887	9%	(809)	(717)	13%
Streets	368	344	7%	(368)	(344)	7%
Culture, parks and recreation	60	47	28%	(57)	(42)	35%
Health and welfare	48	46	4%	(5)	(9)	-40%
Economic development	34	36	-6%	(34)	(36)	-5%
Principal on long-term debt	20	21	-5%	(20)	(21)	-5%
Interest on long-term debt	2	2	0%	(2)	(2)	0%
<b>Total</b>	<b>\$ 2,271</b>	<b>\$ 2,286</b>	<b>-1%</b>	<b>(\$2,058)</b>	<b>(\$1,849)</b>	<b>11%</b>

**Business-type Activities**

The business-type activities had a decrease in net position of \$18,741. The increase in net expense of service for water is primarily attributable to an increase in water capital outlay of \$338,643 for the new Water System project. The decrease in net expense of service for sewer is primarily attributable to a decrease in sewer capital outlay of \$143,625 for the new Wastewater Treatment facility project. The decrease in net expense for sanitation is the result of an increase in sanitation charges for services of \$42,781 and an increase in sanitation expenses of \$25,671.

	<b>Total Expense of Services</b>		<b>% Inc. Dec.</b>	<b>Net Revenue (Expense) of Services</b>		<b>% Inc. Dec.</b>
	<u>2014</u>	<u>2013</u>		<u>2014</u>	<u>2013</u>	
Water	\$ 1,030	\$ 549	88%	\$ (335)	\$ (66)	408%
Sewer	371	497	-25%	(29)	(273)	-89%
Sanitation	344	319	8%	15	(2)	-850%
<b>Total</b>	<b>\$ 1,745</b>	<b>\$ 1,365</b>	<b>28%</b>	<b>\$ (349)</b>	<b>\$ (341)</b>	<b>2%</b>

**A FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

As the City completed its 2014 fiscal year, the governmental funds reported a combined fund balance of \$1,377,976.

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**Other fund highlights include:**

- For the year ended June 30, 2014, the General Fund's total fund balance decreased by \$154,575, or 10.7%. The decrease is due in large part to the decrease in capital grants when compared to the prior year.
- For the year ended June 30, 2014, the General Fund's fund balance classifications were as follows:

Fund Balance Classification:	
Restricted for:	
Capital improvements	\$ 407,015
Cemetery	9,994
Public safety	10,407
Streets	244,837
Economic development	297,783
Assigned to:	
Cemetery	17,026
Future budgetary purposes	309,616
Total General Fund Balance Classifications	<u>\$ 1,296,678</u>

**General Fund Budgetary Highlights**

For the year ended June 30, 2014, the General Fund reported actual budgetary basis revenues over final estimates by \$96,660 or a 4.2% positive variance. General Fund actual expenditures were under final appropriations by \$494,295 or a 16.2% positive variance.

**ECONOMIC FACTORS AND NEXT YEAR'S ESTIMATES**

The following information outlines significant known factors that will affect subsequent year finances:

- The FY 2015 budget is consistent to prior years.

**Contacting the City's Financial Management**

This report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Clerk's office at 115 S. Broadway, Stigler, Oklahoma 74462 or telephone at 918-967-2164.

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**BASIC FINANCIAL STATEMENTS – STATEMENTS OF NET POSITION AND ACTIVITIES**

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**Statement of Net Position (Modified Cash Basis) – June 30, 2014**

	<u>Primary Government</u>			<u>Component Unit</u>
	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>	<u>Stigler Industrial</u> <u>Development</u> <u>Authority</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 886,635	\$ 475,521	\$ 1,362,156	\$ 59,369
Investments	492,084	5,000	497,084	47,199
Total Assets	<u>1,378,719</u>	<u>480,521</u>	<u>1,859,240</u>	<u>106,568</u>
<b>LIABILITIES</b>				
Miscellaneous payroll liabilities	17	35	52	-
Due to depositors	-	4,380	4,380	-
Due to bondholders	726	-	726	-
Total liabilities	<u>743</u>	<u>4,415</u>	<u>5,158</u>	<u>-</u>
<b>NET POSITION</b>				
Restricted for:				
Capital Improvements	407,015	-	407,015	-
Cemetery	9,994	-	9,994	-
Public Safety	10,407	-	10,407	-
Streets	244,837	-	244,837	-
Economic Development	297,783	-	297,783	-
E911	78,190	-	78,190	-
Unrestricted	329,750	476,106	805,856	106,568
Total net position	<u>\$ 1,377,976</u>	<u>\$ 476,106</u>	<u>\$ 1,854,082</u>	<u>\$ 106,568</u>

See accompanying notes to the basic financial statements.

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**Statement of Activities (Modified Cash Basis)– Year Ended June 30, 2014**

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Stigler Industrial Development Authority
<b>Primary government</b>								
Governmental Activities								
General government	\$ 773,683	\$ 4,280	\$ -	\$ 6,356	\$ (763,047)	\$ -	\$ (763,047)	\$ -
Public safety	966,349	152,976	4,473	-	(808,900)	-	(808,900)	-
Streets	367,844	-	-	-	(367,844)	-	(367,844)	-
Culture and recreation	60,210	3,695	-	-	(56,515)	-	(56,515)	-
Health and welfare	47,839	-	42,421	-	(5,418)	-	(5,418)	-
Economic development	34,231	-	-	-	(34,231)	-	(34,231)	-
Principal on long-term debt	19,687	-	-	-	(19,687)	-	(19,687)	-
Interest on long-term debt	1,808	-	-	-	(1,808)	-	(1,808)	-
Total governmental activities	<u>2,271,651</u>	<u>160,951</u>	<u>46,894</u>	<u>6,356</u>	<u>(2,057,450)</u>	<u>-</u>	<u>(2,057,450)</u>	<u>-</u>
Business-type activities:								
Water	1,029,420	509,616	-	185,000	-	(334,804)	(334,804)	-
Sewer	370,848	341,529	-	-	-	(29,319)	(29,319)	-
Sanitation	344,333	359,143	-	-	-	14,810	14,810	-
Total business-type activities	<u>1,744,601</u>	<u>1,210,288</u>	<u>-</u>	<u>185,000</u>	<u>-</u>	<u>(349,313)</u>	<u>(349,313)</u>	<u>-</u>
Total primary government	<u>4,016,252</u>	<u>1,371,239</u>	<u>46,894</u>	<u>191,356</u>	<u>(2,057,450)</u>	<u>(349,313)</u>	<u>(2,406,763)</u>	<u>-</u>
<b>Component Units</b>								
Industrial development authority	1,100	4,200	-	-	-	-	-	3,100
Total component units	<u>1,100</u>	<u>4,200</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,100</u>
<b>General revenues:</b>								
Taxes:								
Sales and use taxes					\$ 1,873,115	\$ -	\$ 1,873,115	-
Franchise taxes and public service taxes					83,992	-	83,992	-
Intergovernmental revenue not restricted to specific programs					89,807	-	89,807	-
Unrestricted investment earnings					3,149	235	3,384	174
Miscellaneous					105,079	72,554	177,633	-
Transfers					(257,783)	257,783	-	-
Total general revenues and transfers					<u>1,897,359</u>	<u>330,572</u>	<u>2,227,931</u>	<u>174</u>
Change in net position					(160,091)	(18,741)	(178,832)	3,274
Net position - beginning					1,538,067	494,847	2,032,914	103,294
Net position - ending					<u>\$ 1,377,976</u>	<u>\$ 476,106</u>	<u>\$ 1,854,082</u>	<u>\$ 106,568</u>

See accompanying notes to the basic financial statements.

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**BASIC FINANCIAL STATEMENTS – GOVERNMENTAL FUNDS**

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**Governmental Funds Balance Sheet (Modified Cash Basis) – June 30, 2014**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 870,280	\$ 16,355	\$ 886,635
Investments	427,141	64,943	492,084
Total assets	<u>1,297,421</u>	<u>81,298</u>	<u>1,378,719</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Miscellaneous payroll liabilities	17	-	17
Due to bondholders	726	-	726
Total liabilities	<u>743</u>	<u>-</u>	<u>743</u>
Fund balances:			
Restricted for:			
Capital improvements	407,015	-	407,015
Cemetery	9,994	-	9,994
Public safety	10,407	-	10,407
Streets	244,837	-	244,837
Economic development	297,783	-	297,783
E911	-	78,190	78,190
Assigned to:			
Cemetery	17,026	-	17,026
E911	-	3,108	3,108
Fiscal year 2015 budget	309,616	-	309,616
Unassigned	-	-	-
Total fund balances	<u>1,296,678</u>	<u>81,298</u>	<u>1,377,976</u>
Total liabilities and fund balances	<u>\$ 1,297,421</u>	<u>\$ 81,298</u>	<u>\$ 1,378,719</u>

See accompanying notes to the basic financial statements.

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**Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance**  
**(Modified Cash Basis) – Year Ended June 30, 2014**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Taxes	\$ 1,957,107	\$ -	\$ 1,957,107
Intergovernmental	285,575	42,421	327,996
Charges for services	6,154	117,114	123,268
Fees and fines	33,403	-	33,403
Licenses and permits	4,280	-	4,280
Investment earnings	2,731	418	3,149
Miscellaneous	105,140	-	105,140
Total revenues	<u>2,394,390</u>	<u>159,953</u>	<u>2,554,343</u>
<b>EXPENDITURES</b>			
Current:			
General government	731,499	-	731,499
Public Safety	802,164	-	802,164
Public Works	297,426	-	297,426
Culture and recreation	45,705	-	45,705
Economic development	14,231	-	14,231
E911	-	123,048	123,048
Nutrition	-	47,839	47,839
Capital Outlay	635,287	-	635,287
Debt Service:			
Principal	19,687	-	19,687
Interest and other charges	1,808	-	1,808
Total Expenditures	<u>2,547,807</u>	<u>170,887</u>	<u>2,718,694</u>
Excess (deficiency) of revenues over expenditures	<u>(153,417)</u>	<u>(10,934)</u>	<u>(164,351)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	5,418	5,418
Transfers out	(1,158)	-	(1,158)
Total other financing sources and uses	<u>(1,158)</u>	<u>5,418</u>	<u>4,260</u>
Net change in fund balances	(154,575)	(5,516)	(160,091)
Fund balances - beginning	1,451,253	86,814	1,538,067
Fund balances - ending	<u>\$ 1,296,678</u>	<u>\$ 81,298</u>	<u>\$ 1,377,976</u>

See accompanying notes to the basic financial statements.

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**BASIC FINANCIAL STATEMENTS – PROPRIETARY FUND**

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**Proprietary Fund Statement of Net Position (Modified Cash Basis) – June 30, 2014**

	<b><u>Stigler Municipal Improvement Authority Enterprise Fund</u></b>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 475,521
Investments	620
Restricted:	
Investments	4,380
	4,380
Total assets	480,521
<b>LIABILITIES</b>	
Current Liabilities:	
Miscellaneous payroll liabilities	35
Due to depositors	4,380
Total liabilities	4,415
<b>NET POSITION</b>	
Unrestricted	476,106
Total net position	\$ 476,106

See accompanying notes to the basic financial statements.

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**Proprietary Fund Statement of Revenues, Expenses and Changes in Net Position (Modified Cash Basis) – Year Ended June 30, 2014**

	<b><u>Stigler Municipal Improvement Authority Enterprise Fund</u></b>
<b>REVENUES</b>	
Water	\$ 486,542
Sewer	324,781
Sanitation	322,702
Penalties	22,774
Water taps	5,550
Sewer taps	5,050
Reconnect fees	7,675
Connect fees	9,705
Transfer station	24,818
Miscellaneous	691
Total Operating Revenues	1,210,288
<b>OPERATING EXPENSES</b>	
Water	381,601
Sewer	249,134
Sanitation collection	198,706
Transfer station	111,508
Administration	45,965
Total Operating Expenses	986,914
Operating income	223,374
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Capital outlay	(310,644)
Interest and investment revenue	235
Rental Income	50,385
Proceeds from capital asset disposal	3,250
OEPIC insurance reimbursement	18,919
Total non-operating revenue (expenses)	(237,855)
Income (loss) before transfers	(14,481)
Transfers out	(4,260)
Change in net position	(18,741)
Total net position - beginning	494,847
Total net position - ending	\$ 476,106

See accompanying notes to the basic financial statements.

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**Proprietary Fund Statement of Cash Flows (Modified Cash Basis) – Year Ended June 30, 2014**

	<u>Stigler Municipal Improvement Authority Enterprise Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers	\$ 1,279,592
Payments to suppliers	(501,556)
Payments to employees	(485,323)
Refunds of customer meter deposits	(193)
<b>Net cash provided by operating activities</b>	<u>292,520</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfers to other funds	(4,260)
<b>Net cash used in noncapital financing activities</b>	<u>(4,260)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Purchases of capital assets	(310,644)
Proceeds from sale of capital assets	3,250
<b>Net cash used in capital and related financing activities</b>	<u>(307,394)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest and dividends	235
<b>Net cash provided by investing activities</b>	<u>235</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	(18,899)
<b>Balances - beginning of year</b>	<u>494,420</u>
<b>Balances - end of year</b>	<u>\$ 475,521</u>
<b>Reconciliation to Statement of Net Position:</b>	
Cash and cash equivalents	475,521
Total cash and cash equivalents, end of year	<u>475,521</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income	\$ 223,374
Adjustments to reconcile operating income to net cash provided by operating activities:	
Miscellaneous revenue	69,304
Change in assets and liabilities:	
Accrued payroll payable	35
Deposits subject to refund	(193)
<b>Net cash provided by operating activities</b>	<u>\$ 292,520</u>

See accompanying notes to the basic financial statements.

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**FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS**

**Footnotes to the Basic Financial Statements:**

**1. Summary of Significant Accounting Policies**

**A. Financial Reporting Entity**

In determining the financial reporting entity, the City complies with the provisions of Governmental Accounting Standards Board Statement No. 14, “*The Financial Reporting Entity*”, as amended by Statement 61, that requires the primary government and all component units of which the primary government is financially accountable be included in the financial report. The City’s financial reporting entity includes two separate legal entities reported as the primary government and one discretely component unit.

- **The City of Stigler** – operates the public safety, cemetery, streets, health and welfare, culture and recreation, and administrative activities of the City, governed by the City Council.
- **The Stigler Municipal Improvement Authority** – that operates the water, sewer, and sanitation services of the City through a public trust of which the City is the beneficiary. The City Council serves as trustees for the Authority and all debt obligations of the Authority must be approved by 2/3rds vote of the City Council (reported as a blended component unit enterprise fund).
- **The Stigler Industrial Development Authority** – operates the industrial development services of the City, governed by the trustees who are appointed by the City Council (reported as a discretely presented component unit).

The component units are Public Trusts established pursuant to Title 60 of Oklahoma State law. Public Trusts (Authorities) have no taxing power. The Authorities are generally created to finance City services through issuance of revenue bonds or other non-general obligation debt and to enable the City Council to delegate certain functions to the governing body (Trustees) of the Authority. The Authorities generally retain title to assets which are acquired or constructed with Authority debt or other Authority generated resources. In addition, the City has leased certain existing assets at the creation for the Authorities to the Trustees on a long-term basis. The City, as beneficiary of the Public Trusts, receives title to any residual assets when a Public Trust is dissolved.

**B. Basis of Presentation and Accounting**

*Government-Wide Financial Statements:*

The statements of net position and activities are reported on a modified cash basis of accounting. The modified cash basis of accounting is based on the recording of cash and cash equivalents and changes therein, and only recognizes revenues, expenses, assets and liabilities resulting from cash transactions adjusted for modifications that have substantial support in generally accepted accounting principles. These modifications include adjustments for the following balances arising from cash transactions:

- cash-based interfund receivables and payables
- other cash-based receivables/payables
- investments
- utility deposit liabilities

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As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as capital assets and related depreciation, accounts receivable and revenue for billed or provided services not yet collected, and accrued revenue and receivables) and certain liabilities and their related expenses (such as long-term debt, accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

Program revenues within the statement of activities are derived directly from each activity or from parties outside the City's taxpayers. The City has the following program revenues in each activity:

- General government: License and permits, rents and royalties and fire subscriptions
- Public safety: Fine revenue and operating grants
- Streets and highways: Gas excise and commercial vehicle taxes
- Culture and recreation: Swimming pool fees and concessions
- Health and welfare: Operating grants
- Economic development: Operating grants
- Airport: Capital grant

*Governmental Funds:*

The City's governmental funds are comprised of the following:

**Major Funds:**

- General Fund – accounts for all activities not accounted for in other special-purpose funds

**Non-Major Funds:**

- Nutrition Fund - accounts for revenues and expenditures of various nutrition grants per grant agreement requirements
- E911 Fund – accounts for E-911 revenues legally restricted for E-911 services

The City reports the General Fund as a major fund; all other governmental funds are considered nonmajor and are reported in the Other Governmental Funds column.

The governmental funds are reported on a modified cash basis of accounting. Only current financial assets and liabilities are generally included on the fund balance sheets. The operating statements present sources and uses of available spendable financial resources during a given period. These fund financial statements use fund balance as their measure of available spendable financial resources at the end of the period.

*Proprietary Fund:*

The City's proprietary fund is comprised of the following:

- Stigler Municipal Improvement Authority (SMIA) – accounts for the operation of the water, sewer, and sanitation activities

For purposes of the statement of revenues, expenses and changes in fund net position, operating revenues and expenses are considered those whose cash flows are related to operating activities, while revenues and expenses related to financing, capital and investing activities are reported as non-operating or transfers and contributions.

**C. Cash, Cash Equivalents, and Investments**

Cash and cash equivalents includes all demand and savings accounts, certificates of deposit or short-term investments with an original maturity of three-months or less, and money market accounts. Investments consist of long-term certificates of deposits and are reported at cost.

**D. Compensated Absences**

As a result of the use of the modified cash basis of accounting, liabilities related to accrued compensated absences are not recorded in the financial statements. Expenditures/expenses related to compensated absences are recorded when paid. The amount of accrued compensated absences for accumulated, unpaid compensatory time that would be due employees upon termination is reported as a commitment in Note 9.

**E. Fund Balances and Net Position**

*Fund Balance:*

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned, and unassigned. The classifications are defined as:

- a. Nonspendable – includes amounts that cannot be spent because they are either 1) not in spendable form or 2) legally or contractually required to be maintained intact.
- b. Restricted – consists of fund balance with constraints placed on the use of resources either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- c. Committed – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City's highest level of decision-making authority. The City's highest level of decision-making authority is made by ordinance.
- d. Assigned – includes amounts that are constrained by the City's intent to be used for specific purposes but are neither restricted nor committed. Assignments of fund balance may be made by city council action or management decision when the city council has delegated that authority. Assignments for transfers and interest income for governmental funds are made through the budgetary process.
- e. Unassigned – represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the general fund.

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It is the City's policy to first use restricted fund balance prior to the use of unrestricted fund balance when an expense is incurred for purposes for which both restricted and unrestricted fund balance are available. The City's policy for the use of unrestricted fund balance amounts require that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Net position is displayed in two components:

- a. Restricted net position – Consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net position – All other net position that does not meet the definition of “restricted”.

It is the City's policy to first use restricted net position prior to the use of unrestricted net position when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

**F. Internal and Interfund Balances and Transfers**

The City's policy is to eliminate interfund transfers and balances in the statement of activities and net position to avoid the grossing up of balances. Only the residual balances transferred between governmental and business-type activities are reported as internal transfers and internal balances then offset in the total column in the government-wide statements. Internal transfers and balances between funds are not eliminated in the fund financial statements.

**2. Cash, Cash Equivalents and Investments**

For the year ended June 30, 2014, the City recognized \$3,384 of investment income. Due to the minimal rates of return on allowable investments in the current environment, most of the City's deposits are in demand and short-term time deposits.

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At June 30, 2014, the primary government held the following deposits and investments:

**Primary Government:**

<b>Type</b>	<b>Carrying Value</b>
<b>Deposits:</b>	
Demand deposits	\$ 1,361,556
Cash on hand	600
Time deposit - certificates of deposit	497,084
<b>Total deposits and investments</b>	<b><u><u>\$ 1,859,240</u></u></b>
 <b>Reconciliation to Statement of Net Position:</b>	
Cash and cash equivalents	\$ 1,362,156
Investments	497,084
	<b><u><u>\$ 1,859,240</u></u></b>
 <b><u>Component Unit:</u></b>	
Cash and cash equivalents	\$ 59,369
Investments	47,199
	<b><u><u>\$ 106,568</u></u></b>

*Custody Credit Risk* - Custodial credit risk is the risk that in the event of a bank failure, the government deposits may not be returned to it. The City is governed by the State Public Deposit Act which requires that the City obtain and hold collateral whose fair value exceeds the amount of uninsured deposits. Investment securities are exposed to custody credit risk if the securities are uninsured, are not registered in the name of the government, and if held by either a counterparty or a counterparty's trust, department or agent, but not in the government's name.

As of June 30, 2014, the City was not exposed to custodial credit risk as defined above.

*Investment Interest Rate Risk* - the City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. All certificates of deposit will mature within the next 12 months.

*Investment Credit Risk* - The City has no investment policy that limits its investment choices other than the limitations of state law that generally authorize investments in: (1) full faith and credit, direct obligations of the U. S. Government, its agencies and instrumentalities, and the State of Oklahoma and certain mortgage insured federal debt; (2) certificates of deposit or savings accounts that are either insured or secured with acceptable collateral; (3) negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations; (4) county, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district; and government money market funds regulated by the SEC. These investment limitations do not apply to the City's public trusts.

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As of June 30, 2014, the City did not hold any securities with credit ratings since they are all non-negotiable time deposits.

*Concentration of Investment Credit Risk* - the City places no limit on the amount it may invest in any one issuer.

*Restricted cash and Investments* – The amounts reported as restricted assets on the statement of net position are comprised of amounts restricted for the following:

	Current
	Investments
Meter deposits	\$ 4,380

**3. Sales Tax Revenue**

Voter approved restricted sales tax revenue per Ordinance #180 represents a 3 cent local tax on each dollar of taxable sales within the City. One cent is voter-restricted in accordance with City Ordinance. The entire 3 cents is recorded in the General Fund, 2 cents for the purpose of general operations and the remaining 1 cent is restricted as follows:

Restricted for:	
Capital improvements	50% of 1 cent sales tax
Street & alley	37.5% of 1 cent sales tax
Economic development	12.5% of 1 cent sales tax

**4. Property Tax Levy**

The City presently levies no property tax. In accordance with state law, a municipality may only levy a property tax to retire general obligation debt approved by the voters and to pay judgments rendered against the City.

**5. Fund Balance – Governmental Funds:**

The following table represents the various governmental fund balance constraints that were in place at June 30, 2014.

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	<u>General Fund</u>	<u>E-911 Fund</u>	<u>Total</u>
Fund Balance:			
Restricted for:			
Capital improvements	\$ 407,015	\$ -	\$ 407,015
Cemetery	9,994	-	9,994
Public safety	10,407	-	10,407
Economic development	297,783	-	297,783
Streets	244,837	-	244,837
E911	-	78,190	\$ 78,190
Total restricted fund balance	<u>970,036</u>	<u>78,190</u>	<u>1,048,226</u>
Assigned for:			
Cemetery	17,026	-	17,026
E-911	-	3,108	3,108
Future budgetary purposes	309,616	-	309,616
Total assigned fund balance	<u>326,642</u>	<u>3,108</u>	<u>329,750</u>
Total fund balance	<u>\$ 1,296,678</u>	<u>\$ 81,298</u>	<u>\$ 1,377,976</u>

**6. Internal and Interfund Balances and Transfers**

*Balances:*

The City had no interfund receivables and payables at June 30, 2014.

*Transfers:*

Internal transfers between activities for the year ended June 30, 2014, were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose of Transfer</u>
General Fund	Nutrition Fund	1,158	Operating
Municipal Improvement Authority	Nutrition Fund	<u>4,260</u>	Grant fund matching
Total		<u><u>5,418</u></u>	

**Reconciliation to Fund Financial Statements:**

	Transfers In	Transfers Out	Net Transfers
Governmental Funds	5,418	(1,158)	4,260
Proprietary Funds	-	(4,260)	(4,260)
	<u><u>5,418</u></u>	<u><u>(5,418)</u></u>	<u><u>-</u></u>

**Reconciliation to Statement of Activities:**

Net transfer	4,260
Business-type capital outlay activity recorded in governmental funds	(447,043)
Business-type grant activity recorded in governmental funds	185,000
Transfers - internal activity	<u><u>(257,783)</u></u>

**7. Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee health and life; and natural disasters. The City manages these various risks of loss by securing commercial insurance for all risks, except for participation in the Oklahoma Municipal Assurance Group risk entity pool for certain coverage. Management believes such insurance coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

**8. Pension Plan Participation**

The City of Stigler participates in three pension or retirement plans:

1. Oklahoma Firefighter’s Pension and Retirement System (OFPRS) – a statewide cost-sharing plan
2. Oklahoma Police Pension and Retirement System (OPPRS) – a statewide cost-sharing plan
3. Oklahoma Public Employees Retirement System (OPERS) – a statewide cost-sharing plan

*Firefighter Pension System:*

*Plan Summary Information.* The City of Stigler, as the employer, participates in a statewide cost-sharing multiple employer defined benefit pension plan through the Oklahoma Firefighter’s Pension and Retirement System (OFPRS). The OFPRS defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Pursuant to the requirements of Title 11, section 22-102, the City must participate in the plan if they employ full-time or volunteer firefighters.

The OFPRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to OFPRS, 4545 N. Lincoln Blvd., Suite 265, Oklahoma City, OK 73105-3414.

*Funding Policy.* OFPRS plan members that are volunteer firefighters are not required to contribute to the plan. The City is required by state law to contribute \$60 per year for each volunteer firefighter. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

The OFPRS contributions are as follows:

Fiscal Year	Required Contribution	Amount Contributed
2012	\$ 1,200	\$ 1,200
2013	\$ 1,080	\$ 1,080
2014	\$ 1,200	\$ 1,200

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*OPPRS:*

*Plan Summary Information.* The City of Stigler, as the employer, participates in a statewide cost-sharing multiple employer defined benefit pension plan through the Oklahoma Police Pension and Retirement System (OPPRS). The OPPRS defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Pursuant to the requirements of Title 11, section 22-102, the City must participate in the plan if they employ a certain number of fulltime police officers.

The OPPRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to:

OPPRS  
 1001 N.W. 63<sup>rd</sup> St., Suite 605  
 Oklahoma City, OK 73116-7335

*Funding Policy.* The City is required by state law to contribute 13% of covered payroll per year for each police officer. Employees contribute 8% of covered payroll. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

The OPPRS contributions are as follows:

Fiscal Year	Required Contribution	Amount Contributed
2012	\$ 30,957	\$ 30,957
2013	\$ 32,348	\$ 32,348
2014	\$ 32,160	\$ 32,160

*OPERS:*

*Plan Summary Information:* The City has provided a defined contribution plan for all of its full-time employees with the exception of the fire and police department, through Oklahoma Public Employees Retirement System (OPERS). The City, as employer, contributes 16.5% of the employee's gross wages while the employees contribute 3.5%, with the exception of those employees electing to upgrade at a rate of 6.41%. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary. For the year ended June 30, 2014, the City contributed \$140,999 to the plan, while the employee contributions totaled \$32,574.

A copy of the OPERS financial statements can be obtained from Oklahoma Public Employees Retirement System, 2101 N. Lincoln Blvd., Room 580, Oklahoma City, OK 73105.

The OPERS contributions are as follows:

Fiscal Year	Required Contribution	Amount Contributed
2012	\$ 134,597	\$ 134,597
2013	\$ 145,352	\$ 145,352
2014	\$ 140,999	\$ 140,999

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**9. Commitments and Contingencies**

*Long-term Debt Commitments:*

*Governmental activities* entered into a \$100,000 capital lease for the purchase of a street sweeper in October 2011. The capital lease has an outstanding balance of \$48,662 as of June 30, 2014.

*Business-type activities* long-term debt payable from net revenues generated by the utility resources pledged to the debt include the following:

Customer Deposits:

Refundable customer deposits reported as a liability within the Statement of Net Position are comprised of utility customer deposits payable	\$	4,380
Total Deposits Payable	\$	4,380

*Compensated Absences:*

As a result of the City’s use of the modified cash basis of accounting, accrued liabilities related to compensated absences (vacation only; sick leave does not vest) earned but unpaid at year-end are not reflected in the basic financial statements. The compensated absence commitment at June 30, 2014, is summarized as follows:

General Fund- Vacation leave	\$	356,120
SMIA- Vacation leave		28,953
Total Compensated Absences	\$	385,073

*Litigation:*

The City is party to various legal proceedings which normally occur in the course of governmental operations. The financial statements do not include accruals or provisions for loss contingencies that may result from these proceedings. State statutes provide for the levy of an ad valorem tax over a three-year period by a City “Sinking Fund” for the payment of any court assessed judgment rendered against the City. These statutory provisions do not apply to the City’s public trust Authorities. While the outcome of the above noted proceedings cannot be predicted, due to the insurance coverage maintained by the City and the State statute relating to judgments, the City feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the City.

*Federal and State Award Programs:*

The City of Stigler participates in various federal or state grant/loan programs from year to year. In 2014, the City’s involvement in federal and state award programs was not material. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. The City has not been notified of any noncompliance with federal or state award requirements.

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**SUPPLEMENTARY AND OTHER INFORMATION**

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**Budgetary Comparison Schedule (Modified Cash Basis) – Year Ended June 30, 2014**

	General Fund			
	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Beginning Budgetary Fund Balance:</b>	\$ 745,530	\$ 745,530	\$ 1,451,253	\$ 705,723
<b>REVENUES</b>				
Taxes	1,886,000	1,886,000	1,957,107	71,107
Intergovernmental	309,200	309,200	285,575	(23,625)
Charges for services	8,250	8,250	6,154	(2,096)
Fees and fines	34,100	34,100	33,403	(697)
Licenses and permits	4,780	4,780	4,280	(500)
Investment earnings	3,000	3,000	2,731	(269)
Miscellaneous	52,400	52,400	105,140	52,740
Total revenues	<u>2,297,730</u>	<u>2,297,730</u>	<u>2,394,390</u>	<u>96,660</u>
<b>Amounts available for appropriation</b>	<u>3,043,260</u>	<u>3,043,260</u>	<u>3,845,643</u>	<u>802,383</u>
<b>EXPENDITURES</b>				
Departmental:				
<i>General Government:</i>				
General government	792,300	790,342	739,549	50,793
Public Safety	862,040	862,040	807,564	54,476
Highways and Streets	456,210	456,210	367,844	88,366
Culture and Recreation	50,160	50,960	45,705	5,255
Capital Improvement	832,000	832,000	552,914	279,086
Economic development	50,550	50,550	34,231	16,319
Transfers out	-	1,158	1,158	-
<b>Total Charges to Appropriations</b>	<u>3,043,260</u>	<u>3,043,260</u>	<u>2,548,965</u>	<u>494,295</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,296,678</u>	<u>\$ 1,296,678</u>

**Footnotes to Budgetary Comparison Schedule:**

1. The budgetary comparison schedules are reported on the same modified cash basis as governmental funds within the basic financial statements.
2. The legal level of appropriation control is the department level within a fund. Transfers of appropriation within a fund require City Manager's approval, while supplemental appropriations require City Council approval.

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**Combining Balance Sheet – Nonmajor Funds (Modified Cash Basis) – June 30, 2014**

	<u>Nutrition Fund</u>	<u>E911 Fund</u>	<u>Total - Other Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ -	\$ 16,355	\$ 16,355
Investments	-	64,943	64,943
Total assets	<u>-</u>	<u>81,298</u>	<u>81,298</u>
Fund balances:			
Restricted for:			
E911	-	78,190	78,190
Assigned to:			
E911	-	3,108	3,108
Total fund balances	<u>-</u>	<u>81,298</u>	<u>81,298</u>
Total fund balances	<u>\$ -</u>	<u>\$ 81,298</u>	<u>\$ 81,298</u>

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Nonmajor Funds (Modified Cash Basis) – Year Ended June 30, 2014**

	<u>Nutrition Fund</u>	<u>E911 Fund</u>	<u>Total-Other Governmental Funds</u>
<b>REVENUES</b>			
Intergovernmental	\$ 42,421	\$ -	\$ 42,421
Charges for services	-	117,114	117,114
Investment earnings	-	418	418
Total revenues	<u>42,421</u>	<u>117,532</u>	<u>159,953</u>
<b>EXPENDITURES</b>			
Current:			
E911	-	123,048	123,048
Nutrition	47,839	-	47,839
Total Expenditures	<u>47,839</u>	<u>123,048</u>	<u>170,887</u>
Excess (deficiency) of revenues over expenditures	<u>(5,418)</u>	<u>(5,516)</u>	<u>(10,934)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	5,418	-	5,418
Total other financing sources and uses	<u>5,418</u>	<u>-</u>	<u>5,418</u>
Net change in fund balances	-	(5,516)	(5,516)
Fund balances - beginning	-	86,814	86,814
Fund balances - ending	<u>\$ -</u>	<u>\$ 81,298</u>	<u>\$ 81,298</u>

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**Schedule of Expenditures of Federal Awards (Modified Cash Basis) Year Ended June 30, 2014**

Federal/State Grantor/Pass through agency Grantor/Program Title	Federal CFDA Number	Grant Number	Program or Award Amount	Federal Expenditures
<b>FEDERAL AWARDS:</b>				
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</u>				
Passed through the Oklahoma Department of Commerce: Community development	14.228	14799 CDBG 11	\$ 200,000	\$ 185,000
Total U.S. Department of Housing and Urban Development			200,000	185,000
<u>U.S. DEPARTMENT OF JUSTICE:</u>				
Passed through the District Attorney's Council: JAG-LLE Equipment	16.738	JAG-LLE-2013 CI-00040	5,290	5,290
Total U.S. Department of Justice			5,290	5,290
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</u>				
Passed through Oklahoma Department of Human Services: Special Program for the Aging - Title III, Part C - Nutrition S	93.045	N/A	43,010	43,010
Total U.S. Department of Health and Human Services			43,010	43,010
<u>U.S. DEPARTMENT OF TRANSPORTATION:</u>				
Airport Improvement Grant	20.106	3-40-0115-010-2014		
Airport Improvement Grant	20.106	3-40-0115-009-2012	49,500	6,295
Total U.S. Department of Transportation			49,500	6,295
<b>TOTAL FEDERAL AWARDS</b>			<b>\$ 297,800</b>	<b>\$ 239,595</b>

**Schedule of Expenditures of State Awards (Modified Cash Basis) Year Ended June 30, 2014**

**STATE AWARDS**

KIAMICHI ECONOMIC DEVELOPMENT DISTRICT (KEDDO):

Rural Fire Grant - Oklahoma Department of Agriculture	N/A	N/A	\$ 4,474	\$ 4,474
Total Kiamichi Economic Development District			4,474	4,474
<b>TOTAL STATE AWARDS</b>			<b>\$ 4,474</b>	<b>\$ 4,474</b>

**INTERNAL CONTROL AND COMPLIANCE INFORMATION**



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and Members of the City Council  
City of Stigler, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Stigler, Oklahoma, (the "City") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 11, 2014. Our report included an emphasis-of-a-matter paragraph related to the City's use of a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Arledge & Associates, P.C.*

November 11, 2014